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IS AN IDEAL MONEY ATTAINABLE ?

CAN a better form of standard money be devised than silver and gold ? Is a more equitable means attainable of conducting exchanges than by the use of coined money ? These are questions which have often been asked by philosophers and economic students, and which have sometimes been given an affirmative answer. The essential objection to silver and gold is that they do not have a constant value. To the undiscerning minds of the mass of men a pound sterling of gold, a silver five-franc piece, or a paper dollar, represents always a definite unit. It has not escaped attention, however, that a given amount of money buys much less at one time than another. Translated into terms of purchasing power, the value of money fluctuates. The dollar may or may not represent an ideal fixity of value ; but in relation to other things, its value is obviously not constant. That this fact constitutes an objection to the use of metallic money as a standard has been rarely disputed. It is generally admitted that it would be much better—it would do more exact justice to the man who works for wages, or the man who sells goods—if the dollar which he receives on one day had the same value as the dollars which he receives on other days.

The differences of opinion which have arisen on the subject of correcting the fluctuations in the value of money have been due largely to a failure to define clearly and separately from each other the various factors of the problem. The real object to be sought is the correction of variations in the exchange value of money which arise from influences directly affecting the money metals. It would perhaps be desirable so to equalize the quantity of production of gold and the cost of its production that the increment added each year to the world's stock of money would bear something like a uniform proportion to the average added increment of transactions. But even if this end could be attained, it would be very far from preventing variations in the

prices of different articles, or in the average prices of all articles. These prices would be influenced by causes arising in the production and distribution of the commodities individually and in the aggregate, independently of those variations which arose from changes in the quantity or distribution of money. Inevitably the distribution of money would be influenced by its marginal utility as reflected by price in each community, which would draw it from a community where its rental price and purchasing power were low to one where they were high. Changes in the purchasing power of money are, therefore, necessary incidents of the present organization of industry under the competitive system, and those changes are themselves the gauge of the wise distribution of labor, capital, and products. They cannot be eliminated by devices for an ideal money, or for averaging the purchasing power of money over long periods, unless those devices go to the reconstruction of the entire social fabric. Some ameliorations in the fluctuations of the money metals may be conceivable, but not, under the present social system, any amelioration which puts an end to changes in prices.

In examining the various projects which have been advanced from time to time for steadying the purchasing power of money, it becomes clear that there is much conflict of opinion over even the definitions which describe the character of the changes. It is often declared that gold has appreciated in value when a given amount of gold will purchase a larger amount of commodities than before. In a restricted sense, this definition of the "appreciation of gold" is correct. When gold will exchange for more commodities than on some previous occasion, it has undoubtedly appreciated with reference to these commodities. But an appreciation of gold with reference to those commodities may be due to causes having no direct relation to gold, but related to the production or stock of the commodities. If a given commodity has been produced beyond the limits of effective demand, so that there is a surplus stock on the market, its price falls in gold, and it may be said in a sense that gold has appreciated with reference to this particular commodity; but the real cause of the change is obviously not found in the production of

gold, or anything directly affecting that metal, but in influences affecting the commodity which is measured in gold.

The value of gold in relation to other articles is reflected in prices. Price is a relationship between the exchangeable value of an object at any given time and the exchangeable value at the same time of the metal of which money is composed. The relation between gold and other commodities is constantly changing, as are the relations of these other commodities to each other. There is almost constantly a slight misdirection of production, which, from day to day, creates a little more of one commodity, or a little less of another, than is demanded at current prices. The influence of this overproduction or scant supply corrects itself through changes in prices, but the changes constantly go on before the remedy is effectively applied. These prices are the test of the demand for products. If prices fall below the cost of production, it is evident that there has been excessive production of these articles, and to that extent a misdirection of productive energy.

When this misdirection of production extends to many industries, and results in absorbing a large part of the savings of the community in projects which fail to pay a profit, the value of gold rises in a marked degree. The state of credit then becomes a factor in determining the value of gold in reference to other things, because the impairment of credit causes an unusual demand for gold, and the overproduction of other things causes less demand for them. It is doubtful if these causes of fluctuation in prices could be eliminated by the creation of an ideal money. If this result is sought, the proposition cuts deeper than might at first appear into the foundations of the existing economic system. If gold failed to appreciate in reference to cotton goods when the production of cotton goods exceeded effective demand, there would be no check put upon their continued production, and the misdirection of industrial economy would continue without restriction. It may reasonably be asked, therefore, whether the elimination of these fluctuations would not destroy the balance wheel which is afforded by metallic money in keeping production within proper limits and directing

it in the channels where it has the highest utility to the community.

It would probably be contended by those who seek for an ideal money that their aim is not to eliminate the fluctuations in price which arise from changes in commodities, but to eliminate the fluctuations which grow out of the character of gold as merchandise and out of the irregularity of its production. It is very difficult to separate, in either theory or practice, the one class of fluctuations from the other. It would be difficult in any given case to declare that a particular change of price was the result of causes operating upon the article whose price was expressed in gold. Undoubtedly there has been a gradual change in the relation of gold to commodities as a whole, extending over long periods of time. The precious metals several centuries ago had a much higher purchasing power than they have today. When the supply of gold was fed by the opening of mines in California and Australia, it was believed by many that the purchasing power of gold had permanently fallen. This was indicated by the general advance in prices, which Mr. Jevons declared amounted between 1845-50 and 1860-62 to a ratio of about 10 per cent.¹ When the demand for gold expanded with the expansion of commerce in the last quarter of the nineteenth century, it was declared in many quarters that gold had ceased to depreciate and had again begun to appreciate in a marked degree because of its scarcity in relation to the mass of commodities forming the object of national and international exchanges.

The correction of such fluctuations is the avowed purpose of providing an ideal money. The classes of proposals which have been made for attaining such a money may be divided into two: those which propose to abolish the precious metals altogether as the material of money, and those which propose to retain the metals, but so to adjust the amount of them paid in execution of money contracts that exact justice shall be done between debtor and creditor.

The first class of proposals generally involves the creation of

¹ *Investigations in Currency and Finance*, p. 53.

an abstract standard, representing no specific tangible commodity, but a determination of value by some other process. One of the most elaborate of these proposals is that of a school of Belgian socialists who propose to substitute certificates of property for metallic money. A plan of this kind, designated as *comptabilisme*, was carefully worked out by M. Ernest Solvay and presented to the Belgian chambers in the spring of 1899. M. Solvay based his system upon the proposition that money is purchasing power. Following up the growth of economies in the use of money, he declared that his project would "generalize the clearing system under its most refined form and render useless every other method of payment."¹ M. Solvay proposed that the national bank or some other public institution should be authorized to accept monetary guarantees or other evidence of the ownership of property, and issue books of checks to those presenting such evidence. These checks were then to be transferred from the one to whom they were first issued to others in payment for goods or service. The purchasing power of the first holder would be diminished in just the proportion in which that of the second holder would be increased. M. Solvay argued that the adoption of this method of entering commodities against each other would economize all the capital employed in money, would reduce the rate of interest for the use of capital, and would eliminate financial panics, because it would permit the saving of the entire amount of the metals now employed as money and their restoration to productive industry.

The defect of this project, and others of a similar character, is that they ignore the most vital requisites of money. In the plan of M. Solvay there appears to be a double employment of the same property—the retention of property by the owner while he is allowed to spend it in the form of checks. Even if this double employment of the same property were eliminated, so that the man who delivered a check should actually deliver a corresponding amount of property, the fatal defect of most such projects would still inhere in the system. This defect is the lack of exchangeability of the property transferred. The man who

¹ *Notes sur le productivisme et le comptabilisme*, p. 89.

mortgaged his land to obtain checks, redeemable only in the land which he had mortgaged, would soon find that the checks would not pass for their face value in other commodities which were more exchangeable and more generally desired than title to his land. The declaration that the adoption of such a system would put an end to crises by abolishing the scramble for legal-tender money at such times reveals the weakness of the proposal. It is precisely because legal-tender money is the most exchangeable of commodities that it is desired when other commodities cease to be readily exchangeable. While the possession of the legal-tender quality is an important factor in the matter, the stamp of this quality upon coins is only a recognition by government of the more fundamental fact, that only some article of universal desire and exchangeability is useful as money. Legal-tender laws, under a sound currency system, are only the regularization by the state of a condition which is the result of natural evolution.

The substitution for metallic money of checks entitling the holder to various assorted lots of property—land, woolen goods, meat, or wheelbarrows—would not serve the purposes of an effective medium of exchange. Such orders for property would depreciate in exchange value in just the relation which the supply of these articles bore to the excess of the demand for them. The man who brought woolen cloth to the national bank to be exchanged at the current prices for checks would find that the checks would be acceptable for other articles in about the ratio which the supply of woolen cloth bore to the demand for it and with little regard to the figures of money value impressed on the checks. The community, in other words, would get back to the system of direct barter and would through barter apply to the production of commodities the law of marginal utility which is now so effectively expressed by the nicely graduated scale of money prices.

The advocates of projects like these seem to ignore entirely the essential character of money as a merchandise of peculiar acceptability to all. Thus Kitson, the author of one of these systems, declares that the money function represents general

purchasing power over merchandise, even when to attain redemption in merchandise it passes through the narrow and gilded door of metallic money. Hence he lays down the maxim that to constitute a sure monetary system it is only necessary that the possessor of money should be able by its use to acquire the merchandise which he desires. All merchandise, therefore, he argues, is capable of being monetized, and there is no equitable reason why this privilege of purchasing power should belong exclusively to owners of gold and silver rather than to the owners of copper, iron, coal, grain, or any other merchandise.¹ An argument of this character almost answers itself. It is enough to say that copper, iron, coal, and other articles are today capable of being used as money so far as they are generally desirable and exchangeable. It is because, in the nature of the case, they are less generally desired than gold and silver that the highest monetary function has fallen upon the latter and only a subordinate monetary function upon articles less exchangeable. It would be the same with certificates redeemable in these articles. They would retain a fixed relation to gold and silver only so long as the articles on which they were based were in equal demand. There is no proposition more fundamentally true than that of M. Aupetit:²

The function of money can be performed only by money itself or by some other commodity presenting a utility generally recognized. All secondary means of payment, which derive their value from a legal and obligatory par with real money, cannot constitute of themselves a common measure of price.

Herbert Spencer laid down the maxim that among a people perfectly honest paper alone would form the circulating medium, because no one would promise to pay more than his assets would cover. In order to be workable, this maxim should be amended so that not only should perfect honesty be a necessary condition for the successful employment of such a currency, but also perfect knowledge of the conditions of production, so that no one by miscalculating the demand for his products could by any pos-

¹ HECTOR DENIS in *Annales de l'Institut des Sciences sociales* (December, 1901), Vol. VI, p. 352.

² *Essai sur la théorie générale de la monnaie*, p. 153.

sibility make a promise which might be nullified by a change in the relation of other commodities to those which he produced.

Another and more plausible class of projects for giving fixity to the value of money proposes to continue the use of gold, but to vary from time to time the amounts of gold to be paid according to the changes in its purchasing power. This is the plan which Mr. Jevons has worked out under the title "a tabular standard of value." He proposes that "a considerable number of commodities, say one hundred, should be chosen with special regard to the independence of their fluctuations one from another, and then the geometrical average of the ratios in which their gold prices have changed would be calculated logarithmically."¹ This system involves the proposition that these average prices should constitute the standard for settling contracts expressed in money—that is, if a note was signed in 1895 pledging the payment of \$1,000 in gold in 1900, and it appeared in 1900 that \$1,000 would then buy upon the average of all commodities one-fourth more than it would have bought in 1895, the creditor should be compelled to accept \$800 in gold in full satisfaction of the debt. Thus, according to the reasoning of those who advocate these devices, the creditor would receive back in purchasing power the full equivalent of that which he had loaned, instead of receiving back, as the result of the enhancement of the value of money, a quarter more than he had loaned. Conversely, if money had declined one-quarter in purchasing power, by the rise of prices, the lender would receive back \$1,333 in order to give him the same command over commodities as when he made the loan.

It is declared by Mr. Jevons that "the difficulties in the way of such a scheme are not considerable," and that the work of a commission appointed for the purpose by Parliament, when once established, "would be little more than that of accountants acting according to fixed rules." He deduces the following benefits from the operation of the system:

Such a standard would add a wholly new degree of stability to social relations, securing the fixed incomes of individuals and public institutions

¹ *Money and the Mechanism of Exchange*, p. 332.

from the depreciation which they have often suffered. Speculation, too, based upon the frequent oscillations of prices, which take place in the present state of commerce, would be to a certain extent discouraged.

While a project of this sort comes nearer to a scientific basis than those which propose to do without a metallic standard, it would present greater practical difficulties and realize fewer benefits than Mr. Jevons seems to suppose. It is by no means clear that the tabular standard, even if workable, would do justice in all individual cases or in the average of cases. If the purchasing power of gold rose, as evidenced by a fall in prices, it might be due to improved machinery which increased the efficiency of labor. It is not clear that the man who had \$1,000 in 1895 should be deprived of the benefits of this increase in the purchasing power of his money over commodities, which he would certainly have retained if he had kept the money in his own custody or employed it for short loans or for the processes of production instead of lending it for an extended period. By the increased purchasing power of money, the whole community, especially those members receiving fixed salaries and wages, would profit through the increased productive power of human effort. It is not clear that the lender of money, if he is entitled to equality of treatment with other members of the community, should be singled out to be deprived of this benefit and be treated as though his capital entitled him only to a stationary quantity in commodities while other owners of capital were acquiring an increased quantity. Nor is it clear, in case of a general rise in prices, that the community would be benefited, or more equal justice be done to creditors than under the gold-credit system, if creditors were allowed to collect more money than they had originally loaned. If the rise of prices was due to a decline in the productive power of the community, there is no obvious reason why the lender of capital should be protected by a complicated monetary system against bearing his share of the losses falling upon the community as a whole.

It will be truly said that many of the changes in prices, especially in those cases under the modern organization of industry where prices have risen and the purchasing power of

money has declined, are not due to changes in producing power. They are, however, largely due to changes in the conditions of credit and in the demand and supply of particular articles. A crude sort of justice may be done upon the average by adjusting money payments to the comparative purchasing power of money at different dates; but justice upon the average would be very different from justice in each individual case. Just so far as some suffered loss and others made gains in relation to the average, the percentage of cases where justice was done would be materially affected. A change in the average purchasing power of money over commodities, moreover, is very far from being a uniform relative change in purchasing power over each commodity. The man who lent \$1,000 in 1895, intending to apply the proceeds to buying a home in 1900, would not feel recompensed by receiving \$800 in 1900, because the average price of commodities had fallen one-quarter, if he found that the price of real estate expressed in money was among the things which had not fallen. This is only an illustration of many similar difficulties which would arise in seeking to do justice between individuals by the system of reducing to an average the operation of economic causes.¹ It is no doubt demonstrable that the existing gold-credit system of exchange works injustice in many money contracts; but it would be necessary to show, in order to secure the acceptance of any proposed substitute, that it would clearly and materially reduce such cases of injustice. The injurious effects upon the wage-earner of this sort of averaging prices is thus pointed out by Lord Farrer: ²

Suppose, for instance, that the price of labor remains the same, but that the price of all articles consumed by workmen falls in consequence of improvements in production, the effect of lowering the measure of value in accordance with the average of prices would be to diminish money wages, and at the same time, in addition, by raising prices, to diminish real wages.

¹ PROFESSOR LORIA declares that an equalization of this sort is inadmissible, because "it results in assigning to the possessors of money, in exchange for it, an amount of merchandise which is constant in quantity, but which is the produce of a sum of labor greater or less than that which was expended in producing the money or procuring it."—*Revue d'économie politique*, Vol. XVI, p. 111 (February, 1902).

² *Studies in Currency*, 1898, p. 65.

The labor standard of deferred payments—the relative constancy of the value of money to the day's labor—has received the indorsement of many economists. They have not as a rule, however, sought to work out constructive systems for putting such a standard in operation. Ricardo declared :¹

If only one commodity could be found, which now and at all times required precisely the same quantity of labor to produce it, that commodity would be of an unvarying value, and would be eminently useful as a standard by which the variations of other things might be measured. Of such a commodity we have no knowledge, and consequently are unable to fix on any standard of value.

It is frankly acknowledged by Professor Newcomb that “a source of error in drawing conclusions” from average changes in prices, determined by index numbers, is introduced by the fact that “the improvements constantly being made in manufactures lead to their being really cheaper when measured in terms of human labor.” The labor standard, therefore, does not represent a finality in fixing upon the standard of value. The ideal labor standard is found by Professor John B. Clark in “a labor day of enlarged power to produce and of diminished power to inflict sacrifice.” The discussion of questions so largely metaphysical as the increment of sacrifice involved in labor is beyond the scope of this article, except so far as such a discussion throws light on proposed plans for a tangible monetary standard and upon the merits of such plans over the existing gold-credit system, including under the item of credit the power of indefinite expansion in the issue of metallic tokens. How well, on the whole, the existing system has conformed to the requirements of an ideal currency is thus suggested by Professor Clark.²

Views will vary as to the extent to which the gold dollar has lost in its power to purchase hours of labor. If we think that ideally it ought to lose in its power to buy hours of labor as much as it gains in its power to buy commodities, we shall unite in thinking that its actual behavior has varied comparatively little from the ideal requirements. In any case it has gained

¹ *Principles of Political Economy and Taxation*, chap. I, sec. I.

² “The Gold Standard of Currency in the Light of Recent Theory,” *Political Science Quarterly*, Vol X (September, 1895), p. 401.

where it should have gained — in its power to buy commodities measured in kind ; and it has lost where it should have lost — in its power to buy average labor, measured by the hour.

A not very different ideal is set forth with greater precision of definition by Professor Walsh :¹

The aim should be, neither to make money cheaper in commodities, that is, to make prices rise, nor to make commodities cheaper in money, that is, to make prices fall, but to keep money stable in exchange-value in commodities and commodities as a whole stable in money, that is, to make the general level of prices constant, so that while the esteem-values of all commodities are happily falling with the fall in their cost-values, the esteem-value of money shall fall neither more rapidly nor more sluggishly than the esteem-value of all commodities on the average.

Imperfect as a gold currency may be in theory, subject to the accidental fluctuations in the production of the metal and changes in the relations between the quantity of money and the volume of transactions, it is probable that it secures more perfect justice in its actual operation than would any substitute system subject to arbitrary changes upon incomplete data. Professor Walsh, while declaring that "it is believed to be within the power of government, by assuming the issuance of money, to control the exchange value of money in all things," makes no attempt to apply such a maxim in practice. On the contrary, he frankly admits that attempts to measure variations in the general exchange value of money "are still embryonic, and no attempt to apply them will probably be made for centuries to come."² In the meantime commerce finds its own crude but effective means of guarding against such variations. Changes in the purchasing power of gold which can be anticipated play their part in determining the value of money in the wide markets of the world. Their effect is "discounted," just as circumstances which affect the value of securities are "discounted" in the stock market. As Professor Clark well says:³

¹ *The Measurement of General Exchange Value*, p. 489.

² *The Measurement of General Exchange Value*, p. 495. For the great variety of possible results upon commodities from different changes in their relation to money, *vide* the interesting discussion by PROFESSOR WALSH, pp. 482 ff.

³ *Political Science Quarterly*, Vol. X (September, 1895), p. 393.

We have to remember that the only real motive for using any multiple standard is to correct inequalities that are not now corrected by means of the nominal rate of interest. These are only such inequalities as are not foreseen by the business world. A slow, steady, and calculable advance or decline in the commodity value of metallic money would do no serious harm. A rapid, irregular, or incalculable variation in the purchasing power of it would do harm.

It lies with the prudent man of business to calculate for himself the future cost of the present debt which he incurs. Throughout the world hundreds of thousands of men, acting under the powerful stimulus of self-interest, are making these calculations. The aggregate of all their judgments comes to a center in the market for general commodities, for money, and for securities in the prices which these articles bring. That the metallic unit of the coinage will vary in purchasing power from time to time, and that it will vary most widely in the case of goods which become scarce or which are produced in excess, is a fact of which the more far-sighted take full cognizance. It is difficult to see how this foresight could be replaced to advantage by the intervention of the state to change the terms of contract for the delivery of gold, even if, as Professor Newcomb says, "the value of the dollar ought to be determined from month to month by some central authority and made known to the public."¹ If it should be the function of the state to readjust contracts for gold, to protect individuals against miscalculations or unforeseen events, it is not apparent why such intervention should not be justified on much stronger grounds in the execution of contracts for the delivery of wheat or coal when a short crop or a strike gave a much higher exchange value to the amount called for by the contract than it was expected to have when the contract was made.

It is because money is the most exchangeable of commodities, and (because it is exchangeable for all other things) is the subject of a desire which is insatiable, that its value changes in relation to commodities. Degree of exchangeability is a vital factor in the value of commodities. Prices expressed in money register this degree of exchangeability. When building is active,

¹ *Principles of Political Economy*, p. 213.

iron is readily exchangeable into money and fetches a high price in money; when building slackens, iron is not readily exchangeable for money or for other things and its price in money falls. Money, therefore, as the measure of the ratio of exchangeability between other things, cannot be tied by artificial processes to a fixed relation to these other things without losing its usefulness as a scale of measurement of their values with reference to each other.

Mr. Jevons, in discussing his project for a tabular standard, frankly admits that the project would, "introduce a certain complexity into the relations of debtors and creditors and disputes might sometimes arise as to the date of the deed whence the calculation must be made." Not only would a "certain complexity" be introduced into the relation of debtors and creditors, but it is probable that this complexity would be so disturbing to the owners of capital that they would refuse to lend for any extended period of time without adding a large premium to protect themselves against the uncertainties of "the tabular standard." To the average man the possibility that a loan of \$1,000 might be discharged by the payment of \$800 or by the payment of \$1,333, would appear a greater speculation than the certainty that it would be repaid in the original amount of gold. This would be the case, even if the standard operated with automatic precision in doing equity between individuals. The disposition of the human mind to regard the standard as fixed in value would not be overcome by the action of the law-making power in declaring that debts might be settled in more or less gold than the contract called for because the value of gold in reference to other commodities had changed. It might be true in a sense that speculation would be discouraged, because it would become infinitely more uncertain; but this very fact would put manacles upon enterprise, because the far-sighted speculator, the man embarking upon an enterprise in the belief of its ultimate success, would feel little inducement to exercise his foresight and enterprise if his profits were to be leveled down by an *ex post facto* application of his foresight for the benefit of other members of the community. Higher rates for the use of capital

would undoubtedly result from the inherent disposition to accept gold as representing ultimate value and the uncertainty whether a given contract was to be fulfilled in more gold or less than was originally stipulated.

It is because gold has been found, in the evolution of events, to be the best medium of deferred payments that contracts are made in gold rather than in other articles. Contracts for other commodities have usually been legal and have sometimes been made ; but in the overwhelming majority of cases gold has been preferred, because it has remained the most exchangeable of commodities and its fluctuations in purchasing power have been to some extent calculable. How ingrained is the predisposition in favor of the metal which has come, through the evolution of twenty centuries, to represent the standard is well recognized by Professor Nicholson:¹

In contracts in terms of money, however, what is present to the minds of the parties, it must be insisted on, is in the first place the money itself. In determining how much money to offer or accept, no doubt the parties respectively consider how the money is to be obtained and what is to be done with it (and similarly of the thing that is bought and sold), but it is doubtful if, except in very special cases, they ever think of the general purchasing power of money even in the vaguest way Accordingly the just conclusion appears to be that in contracts in terms of money the real reference is to money and not to things, and that both parties know perfectly well that the money will not always have in every respect and for every purpose the same purchasing power.

The essential defect in the projects for a commodity or labor standard of payments is the attempt to eliminate from exchanges that element of uncertainty which inevitably results from the uncertainties of demand and supply, of which metallic money is the automatic balance wheel. It is proper that the prices of commodities should fall when they are produced in excess, whether this excess in production is true of one or of many. It is proper that prices of certain commodities should rise when the supply is deficient. Only by the fall in price when the supply is in excess can production be checked, foreign purchasers attracted, and the excess thereby reduced. Only by a rise in

¹ *Principles of Political Economy*, Vol. II, pp. 97, 98.

prices when there is a deficiency of a given product can similar goods be attracted from abroad, enterprise and capital be stimulated to enter upon increased production, and capital thereby drawn into the channels of its greatest efficiency. While it might be desirable from a theoretical point of view to secure an ideal fixity of value for the metallic standard, none of the processes for producing this result are effective or desirable. If gold could be given a fixed intrinsic value, as it is conceived of already by the mass of men who are not economic students, undoubtedly the evils which flow from its fluctuations would diminish. But fixity in the value of gold in this abstract sense would not prevent constant fluctuations in its value in relation to other things. The interplay of the demand and supply for tens of thousands of other classes of articles and for variations of particular articles in each class, caused by changes in taste, in seasons, in degree of culture and numbers of the population, would make it impossible that at any single moment the prices of all things in the world expressed in gold should be the same as the prices thus expressed at the next moment.

Whether or not an article exchanges for a sufficient amount of gold to pay the cost of producing it is in a broad sense the factor which determines whether the production of that article shall cease or continue; whether substitutes for it shall be invented or produced, or whether capital shall be attracted for the creation of the machinery of such production. Even if the value of gold in an abstract sense remained fixed from one year to another, and the aggregate mass of commodities did not materially vary in volume, or in the amount of labor required to produce them, the widest variations in the exchange value of these commodities in gold would occur from differences in the state of credit. The pursuit of an ideal money which is unchangeable in its relations to other things is as idle as the search for the philosopher's stone, or the attempt to find a fixed point in the solar system. It is not an ideal, moreover, which it is desirable should be attained, because it would destroy the barometer which money affords of the relation of things in their usefulness to men. It is not desirable even that the project

should be realized that a given amount of labor will command the same amount of gold on one day as on another, for if that labor is applied to the production of things which are not useful to the community, it is only by the fall in the amount of gold earned by such labor that the warning can be given that it should be applied in directions which are most useful.

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